

Message Text

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ACTION AF-18

INFO OCT-01 ISO-00 NEA-10 EUR-25 SPC-03 AID-20 EB-11

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 COME-00 INT-08 SCEM-02 SCI-06 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 PA-04 PRS-01 USIA-15

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R 201359Z DEC 73

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 9072

INFO AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

C O N F I D E N T I A L PRETORIA 4645

E. O. 11652: GDS

TAGS: ENRG, SF

SUBJECT: SAG OFFICIAL'S COMMENTS ON OIL CRISIS

REF: PRETORIA 4578

SUMMARY: IN CONVERSATION WITH EMBOFFS, SAG PETROLEUM CONTROLLER STEYN EMPHASIZED WORLDWIDE PROBLEMS CREATED BY ARAB OIL SLOW DOWN, IN PARTICULAR PROBLEM OF BUNKER FUEL SUPPLIES. ON DOMESTIC SCENE, ALLOCATION OF GASOLINE SEEN AS MAJOR PROBLEM, AND STEYN COMMENTED REATIONING THE ONLY SOLUTION. LONG TERM POSSIBILITY OF SA SATISFYING REQUIREMENTS THROUGH SASOL GASOLINE-FROM-COAL PROCESS MENTIONED BUT NOT RPT NOT SEEN AS IMMEDIATE SOLUTION. EMBASSY VIEWS STEYN'S EMPHASIS ON WORLDWIDE IMPLICATIONS AS PLOY FOR SA INCLUSION IN INTERNATIONAL CONSULTATIONS. EXTENT OF DETAIL BEING DEALT WITH BY STEYN WHO ALREADY BURDENED WITH MORE THAN HIS SHARE OF OTHER RESPONSIBILITIES SEEN AS PORTENT OF POSSIBLE DIFFICULTIES IN ADMINISTERING OIL PROGRAM. END SUMMARY.
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1. ON DEC. 14, EMBOFFS CALLED ON SEC. OF COMMERCE JOEP STEYN WHO IN ADDITION TO REGULAR DUTIES HAS ALSO BEEN DESIGNATED PETROLEUM CONTROLLER. APPOINTMENT HAD BEEN SCHEDULED IN GENERAL CONTEXT. STEYN OPENED CONVERSATION BY EXPRESSING CONCERN ABOUT IMPACT OF ARAB OIL SLOW DOWN ON WORLD ECONOMY (AS DISTINGUISHED FROM PARTICULAR PROBLEMS POSED FOR SA BY TOTAL ARAB BOYCOTT). HE PREDICTED THAT IF SOLUTION NOT RPT NOT FOUND SHORTLY, REAL WORLDWIDE ECONOMIC CRUNCH WOULD COME IN SPRING 1974. HE OPINED THAT INTERNATIONAL CONSULTATION TO DEVELOP AND COORDINATE MEANS OF DEALING WITH PROBLEM SEEMED ESSENTIAL.

2. AS ONE OF MOST PRESSING PROBLEMS, STEYN CITED WORLDWIDE SHORTAGE OF BUNKER FUEL. SHORTAGE HAS FORCED SA TO REDUCE AVAILABILITIES FOR SHIPS REGULARLY SERVING SA BY 25 PERCENT AND FOR NON-REGULARS (INCLUDING ALL CHARTERS) BY 50 PERCENT. HE ADDED THAT SA PREVIOUSLY SUPPLIED BUNKERS ONLY AS FAR AS INTERMEDIATE PORTS ON FAR EAST AND EUROPEAN RUNS (EG. ONLY TO SINGAPORE ON FE RUN) BUT THESE PORTS NOW ALSO RUNNING SHORT. HE SAID CHARTERS PARTICULARLY HARD HIT AND COMPANIES NOW RPT NOW DEMANDING GUARANTEES THAT FUEL WILL BE AVAILABLE BEFORE SAILING. (STEYN INTERRUPTED IN COURSE OF CONVERSATION TO GIVE SUCH A GUARANTEE BY PHONE TO NORWEGIAN CHARTER COMPANY BRINGING STEEL RAILS FROM NEW YORK FOR ISCOR'S SALDANHA-SISHEN PROJECT.)

3. STEYN'S COMMENTS ON IRANIAN CRUDE OIL SALES TO SA REPORTED REFTTEL. IN THIS CONTEXT, AND IN RESPONSE INQUIRY RE IMPORTS OF BUNKER FUELS, HE ALSO SAID THAT SA IMPORTS NO RPT NO REFINED PRODUCTS BUT ONLY CRUDE OIL. (COMMENT: THIS DOES NOT JIBE WITH PAST STATISTICS ALTHOUGH REFINED IMPORTS INCLUDING FUEL OIL HAD SHOWN DECLINING TREND.)

4. TURNING TO DOMESTIC SCENE, STEYN SAID THAT BOYCOTT OF SA COULD NOT RPT NOT HAVE COME AT MORE INOPPORTUNE TIME AS IT HIT IN PERIOD OF PEAK GASOLINE CONSUMPTION (IE. DECEMBER-JANUARY VACATION PERIOD). HIS IMMEDIATE PROBLEM WAS TO KEEP PUMPS FROM BECOMING DRY IN THIS PERIOD. IN SETTING REFINING MIX SO AS TO MAINTAIN ESSENTIALS, LIKELY CANDIDATES FOR REDUCED PRODUCTION WERE GASOLINE AND RESIDUAL FUEL

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(I.E. BUNKER FUEL). BUNKER PROBLEM NOTED ABOVE. WITH REGARD TO FUEL CONSERVATION MEASURES CURRENTLY IN FORCE, HE SAID INITIAL RESULTS WERE SATISFACTORY BUT RECENTLY CONSUMPTION HAD REVERTED TO PREVIOUS HIGH LEVELS. AS PARTICULAR PROBLEM IN DOMESTIC ALLOCATION OF GASOLINE, HE NOTED SITUATION OF TAXIES THAT SERVICE AFRICAN TOWNSHIPS. MAJOR REDUCTION IN THEIR OPERATIONS NOT RPT NOT POSSIBLE WITHOUT SERIOUS SOCIAL CONSEQUENCES SINCE TAXI SERVICE ESSENTIAL

PART OF TRANSPORTING WORK FORCE AND ONLY MEANS OF WEEKEND TRANSPORTATION. IN WHAT MAY WELL HAVE BEEN A COMMENT ON HIS PERSONAL FATIGUE, STEYN COMMENTED THAT CURRENT AD HOC ALLOCATION SYSTEM COULD NOT RPT NOT WORK AND THAT RATIONING NECESSARY.

5. STEYN EXPRESSED INTEREST IN US POSITION, IN PARTICULAR POSSIBLE FUTURE DEVELOPMENTS IN SECURING ENERGY SUPPLIES (EG. SHALE OIL, ALASKAN RESERVES). IN THIS CONNECTION, HE NOTED THAT IN LONG RUN, SA COULD TAKE CARE OF ITS PETROLEUM REQUIREMENTS BY INVESTING R 1.2 BILLION IN NEW SASOL-TYPE FACILITY (GASOLINE FROM COAL) BUT THAT THIS NOT RPT NOT IMMEDIATELY FEASIBLE.

6. COMMENT: WHILE CAREFULLY PHRASED IN GENERAL TERMS, STEYN'S EMPHASIS ON DANGERS OF WORLDWIDE DEPRESSION AND INABILITY OF SA TO MAINTAIN BUNKER SUPPLY STRUCK EMBOFFS AS EXPRESSION THAT SA WOULD HOPE FOR OPPORTUNITY TO JOIN IN CONSULTATION AND COORDINATION WHICH HE SUGGESTED ARE NEEDED. (SEC. KISSINGER'S PROPOSAL FOR US-EUR-JAPANESE CONSULTATIONS HAD BEEN REPORTED IN LOCAL PRESS ON PREVIOUS DAY BUT WAS NOT RPT NOT RAISED BY STEYN DURING OUR CONVERSATION.)

7. STEYN IS ONE OF SA'S MOST DEDICATED, HARDWORKING AND KNOWLEDGEABLE CAREER OFFICIALS. HIS HAVING BEEN GIVEN THE ROLE OF ENERGY CZAR IS AT ONCE RECOGNITION OF THIS AND AT SAME TIME POSSIBLE FOREWARNING OF PROBLEMS SA MAY HAVE IN ADMINISTERING CONTROLS AND ALLOCATING ITS OIL RESOURCES. HIS PERSONAL INCLINATION TO DELEGATE CAUTIOUSLY IS SUPPORTED BY THE CHARACTER OF THE SA BUREAUCRACY WHICH IS NOTORIOUSLY THIN IN TALENT ONCE BELOW THE TOP CAREER LEVELS.

SMITH

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